
LYNDON B. JOHNSON SPACE CENTER

FISCAL YEAR 1996 ANNUAL REPORT

UNAUDITED



PREPARED BY
THE OFFICE OF THE CHIEF FINANCIAL OFFICER

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STATEMENT OF THE DIRECTOR



This has been a very active and successful year for the Center, and a year that brought new programmatic responsibilities to the Center for the Space Shuttle and International Space Station Programs, as well as for Extravehicular Activity and consolidated Space Operations. Part of our success has been our ability to manage our financial resources effectively. The attached financial statement and the Chief Financial Officer's comments show the results of our commitment in that regard.

While assuming our new roles, we flew seven very successful Shuttle missions. These missions have demonstrated our ability to fly safely, accomplish excellent science, and develop the technologies and operational techniques necessary to build the International Space Station. Several demonstrated the growing international involvement in our programs, a necessary component of our future plans. The announcement in December of the STS-86 crew, which includes members from France and Russia, highlights our commitment to a space program that reaches beyond our nation's borders. We have also started the transition of space operations over to private enterprise with United Space Alliance's assumption of these responsibilities in October.

We are also making significant strides in realizing our goals of building the International Space Station. Despite a number of technical and managerial challenges, with the hard work and dedication of all the people involved in the program, we have made great progress. Our favorable Phase One activities are providing the foundation necessary to attain our International Space Station goals. Shannon Lucid's six-month flight with her Russian colleagues is great testimony to our progress, and her flight has started a succession of missions that have established America's permanent presence in Earth orbit.

We are working on a new space vehicle—the X-38—which will be our first new piloted spacecraft since the Shuttle. We're establishing a Biomedical Research Institute, which will allow us to partner with others in conducting the human life science research necessary to conduct long-term space flight.

The news this year of the discovery of possible signs of life in a Mars meteorite by research scientists here at JSC has sparked the imagination of people around the world. Our collection of asteroid and lunar samples and meteorites has brought renewed attention to JSC as the center for research that will lead to a better understanding of the universe we live in.

This year we have also made significant progress in reaching out to the community. JSC employees received good marks from the public regarding our Open House and Inspection Day efforts. The "Longhorn Project"—a cooperative effort with the Clear Creek Independent School District, the Texas Department of Agriculture, and Texas Longhorn breeders—will bring together the space program and agricultural and farming interests in an unprecedented partnership. We opened our new Emergency Operations Center to surrounding communities for their use during hurricanes, floods, and other emergencies. These efforts underscore our commitment to ensuring that people outside the Center's perimeter fences can see what we're doing and better understand how our efforts benefit them.

In the midst of all we have accomplished, and all that is ahead of us, we also recognize that the environment in which we work is changing. The country is in the process of re-examining its priorities. Congress and the Administration are searching for new ways to further reduce the size of government and to trim the budget. NASA and the Johnson Space Center are not exempt—we have already felt many of the effects, and there are more ahead.

We should all take pride in our accomplishments this year, but we also must remember that we have many challenges and opportunities ahead of us. The future will demand the best we have to offer and will challenge us in new and unexpected ways.

A handwritten signature in black ink that reads "George W. S. Abbey". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

George W. S. Abbey



STATEMENT OF THE CHIEF FINANCIAL OFFICER

I am pleased to present the Lyndon B. Johnson Space Center's (JSC) financial report for fiscal year (FY) 1996. The report represents the financial status of the Center as of September 30, 1996, and reflects our Center's unique mission and leadership in both scientific and technical fields.

Subsequent sections of this report provide detail financial information and profile other activities of the Center. The financial statements describe JSC's financial position and the result of its operations for FY 1996. The statements are unaudited and for internal use only. The statements were prepared in accordance with the form and content for entity financial statements as specified by the Office of Management and Budget.

As of September 30, 1996, JSC's Net Position (Assets less Liabilities) was \$6 billion, an increase of \$1.2 billion over the previous year. This change was primarily due to an increase in property, plant, and equipment.

Our primary operations are financed by Congressional appropriations. Total JSC Program and Operating Expenses for FY 1996 were \$2.9 billion and are categorized by appropriation.

	Amount (thousands)	Percent of Total
Science, Aeronautics and Technology	\$ 152,913	5.4%
Human Space Flight	2,286,115	80.0%
Mission Support	360,127	12.6%
Research and Development	35,554	1.2%
Other	22,253	0.8%
	<u>\$ 2,856,962</u>	

Program expense includes the cost of current year operations less capital expenditure. Total program expenses decreased by 18 percent, from \$3.5 billion in FY 1995.

As a Center, we are committed to make our financial statements more timely, interesting, and useful to management. The Office of the Chief Financial Officer continues to support JSC's mission and programmatic responsibilities for the Space Shuttle and Space Station Programs, the Extravehicular Activities, and the consolidated Space Operations through excellence in planning, managing, and controlling the resources available to the Center.

Wayne L. Draper

**PROFILE OF THE
LYNDON B. JOHNSON SPACE CENTER**

PROFILE OF THE LYNDON B. JOHNSON SPACE CENTER

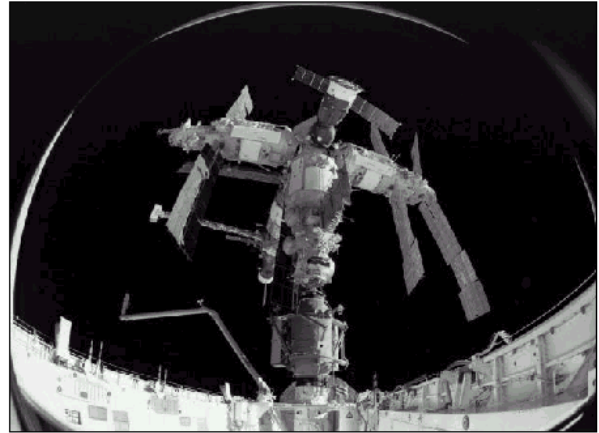
The Lyndon B. Johnson Space Center (JSC), located in Houston, is one of nine field installations of the National Aeronautics and Space Administration (NASA). JSC is the leader in human space flight operations for NASA and is proud of its accomplishments and challenges.



MISSION

We take our lead from NASA's mission to:

- Explore, use, and enable the development of space for human enterprise.
- Advance and communicate scientific knowledge and understanding of the Earth, the solar system, and the universe and use the environment of space for research.
- Research, develop, verify, and transfer advanced aeronautics, space, and related technologies.



JSC supports this mission through organizations represented here by the Space Shuttle Program, the International Space Station Program, the Technology Transfer and Commercialization Office, and the Space and Life Sciences Directorate. Each of these groups has its own mission statement that ties to NASA's mission.

Space Shuttle Program

Achieve and sustain routine space travel and services which enable people to live and work in space.

International Space Station Program

Build and operate the International Space Station (ISS) - a world-class orbital research facility that is safe, productive, affordable, and attainable.

Technology Transfer and Commercialization Office

Transfer and enable commercialization of NASA technologies to the private sector to create jobs, improve productivity, and increase U.S. competitiveness.

Space and Life Sciences Directorate

Be the world's leader in understanding the space frontier and the opportunities, capabilities, and limitations of humans living and working on that frontier.

ACCOMPLISHMENTS

Space Shuttle Program

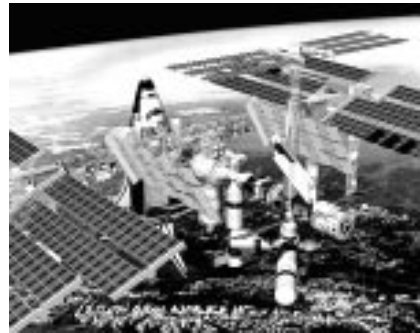
We flew seven space shuttle flights which represent significant "firsts" and progress in space operations technology. We continued development of equipment/supply transfer operations with the Russian *Mir* Space Station. We completed our first performance of four rendezvous activities on a single flight. In addition, we completed the first performance of simultaneous flight and retrieval of two satellites by the Shuttle system.

The Space Shuttle Program also began the transition of Space Shuttle operations to private industry using the Space Flight Operations Contract (SFOC), with the expectation of more cost-effective operations in the future.

International Space Station Program

JSC employees completed definition of the Boeing Defense & Space Group prime contract and product group contracts for building ISS. This established a target cost of the contract and provided defined goals and objectives for the contractors.

The program changed the planned ISS assembly sequence to accommodate efficiencies and technological changes occurring since our first plan. A team of engineers, scientists, and managers reviewed the new plan to identify and resolve any issues that would or could occur as a result of using the new plan. The new plan was approved, so we continue to work without impact to the original schedule of a completed space station by 2002.



We assembled the first major component of ISS. The functional cargo block - or "FGB" - is the initial power and propulsion source of ISS. The 20-ton pressurized spacecraft will be launched on a Russian Proton vehicle in Fiscal Year 1998. A week after the FGB launch, an interconnecting node module, built by Boeing Defense & Space Group in Huntsville, Alabama, will launch from Kennedy Space Center (KSC) aboard a Space Shuttle. Astronauts will link the two modules in space, signaling the beginning of the largest space-based construction project in history. The FGB will provide orbital control, communications, and power to the node.

Technology Transfer and Commercialization Office

JSC licensed the NASA/DeBakey Ventricle Assist Device to Micromet in The Woodlands. This small turbine pump works in concert with the heart's own pumping ability, either as a temporary device or a permanent one. This application emerged from NASA turbopump technology, in combination with NASA's computational fluid dynamics analysis capabilities. A team of JSC employees and Baylor College of Medicine specialists, led by Dr. Michael DeBakey, developed the pump.

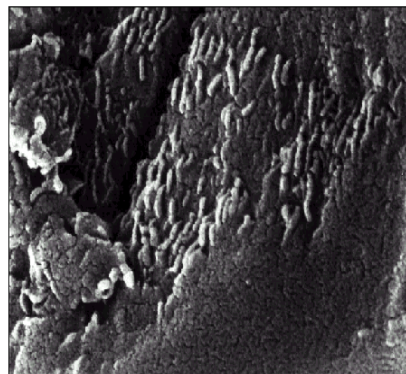
We patented a bioreactor process that produces high-density cell cultures and many cell types that will not otherwise grow outside the body. It works by providing a low-shear, low-turbulence environment. The bioreactor is composed of co-rotating cylinders, with the space between them completely filled with a liquid medium. Winner of the 1992 NASA Inventor of the Year Award, this technology has also been the subject of numerous articles in the technical press. This technology is exclusively licensed to Synthecon, Inc.

The Center applied for a patent for a method of collecting and storing blood serum which negates the need for centrifuges and freezers. We developed this technology to overcome an ongoing problem with the collection and storage of blood serum samples in space. Astronauts can now collect samples on every mission. The novel filter separates the cells from the serum, the serum is then stored using a "Dried Storage" technique and stored at room temperature until returned to Earth. The samples are analyzed in laboratories on Earth. There are many possible applications of this process on Earth, including collecting and storing blood samples in remote locations, in a nursing home or home care setting, and in outpatient facilities without standard blood storage equipment. The system has been used successfully with zoo animals as well, including "Hakeem Alijawan," a 3-foot alligator at the Houston Zoo.

JSC successfully operated the Johnson Enterprise Center (JEC). The JEC is a business incubator funded by NASA through a cooperative agreement whose objective is to put government technology to use in the market place. The incubator subsidizes startup companies with reduced rent and professional accounting, marketing, management, and legal assistance during their initial phase of operation. The Center uses a lab-to-market approach, which takes technology created at JSC and pairs that technology with appropriate partners in the business and financial community to create and foster new companies and jobs. The goal is to shorten the learning curve for new companies and increase survival rates. Incubator tenants have 3 years to make the transition from the incubator to the marketplace.

Space and Life Sciences Directorate

We outfitted the Priroda Module with NASA support systems and experiment hardware. The Priroda Module is a Russian-built research module attached to the *Mir* space station. Activities supporting the experiment hardware and supplies for the second and third long-duration missions on the *Mir* Station were successfully completed. This equipment was carried to the *Mir* Station by Shuttle flights STS-76 and -79.



A team of scientists from JSC and Stanford University found evidence that strongly suggests primitive life may have existed on Mars about 3.6 billion years ago. The team found the first organic molecules thought to be of Martian origin; several mineral features characteristic of biological activity; and possible microscopic fossils of very tiny, primitive, bacteria-like organisms inside an ancient Martian rock that fell to Earth as a meteorite. The results of the research performed by the team were published in the journal *SCIENCE* on August 20, 1996.

CHALLENGES

Space Shuttle Program

Our challenge is to conduct Space Shuttle missions safely, successfully, and at reduced cost as we transition operations to private industry.

International Space Station Program

Assembling ISS will require cooperation and planning between the United States and its 4 international partners during 44 flights taking place over 4.5 years, beginning in Fiscal Year 1998. ISS will be a remarkable example of international cooperation for a common goal: building an international community and science institute in space.

Perhaps an even greater challenge is satisfying program requirements and customer expectations while living within cost and schedule constraints. As competition for U.S. budget dollars becomes more intense, we will have to keep the program within budget and on schedule to receive the funding we need to complete the project.

Technology Transfer and Commercialization Office

This office aggressively seeks out promising technologies that can form the basis for new and improved products, manufacturing processes, and services, however, transferring the technologies to the commercial marketplace is the greatest challenge.

Space and Life Sciences Directorate

JSC was named the NASA Lead Center for Space Biomedical Research, Advanced Human Support Technology, and Space Medicine in 1996. In assuming that role we will establish an effective working relationship with the new Space Biomedical Research Institute. The Institute will be the result of a cooperative agreement between NASA and a consortia of other scientists. We must also infuse existing advanced technologies, developed outside of NASA, into space science projects.

PLANS FOR FISCAL YEAR 1997

Space Shuttle Program

The Program will expand the flight rate to eight flights this year. Among the expected highlights are a servicing mission to the Hubble Space Telescope to upgrade its configuration and extend its operations life. We also expect three missions to expand research in microgravity and atmospheric sensing sciences, to fly Japan's Manipulator Flight Demonstration, and to conduct additional extravehicular activity (EVA) to help prepare for ISS assembly.

International Space Station Program

The Program plans to maintain the Phase 1 flight schedule. During Phase 1, Shuttle-*Mir* joint missions provide flight experience to reduce Space Station assembly and operations risks. Three of the 11 Shuttle-*Mir* docking missions will be flown during Fiscal Year 1997. In Phase 1, Americans and Russians will work together in laboratories on the *Mir* and the Shuttle, conduct joint space walks, and practice space station assembly by adding new modules to *Mir*.

Technology Transfer and Commercialization Office

JSC plans to have more technological innovations reported by contractors. The new technology clause in every contract at NASA requires the contractors to report all new technologies, including ideas, prototypes, or products that have emerged from contracted activities. These reports are used as part of an inventory of all JSC technologies.

Space and Life Sciences Directorate

We will continue activities for the Alpha Magnetic Spectrometer (AMS) and Neurolab projects expected to fly in 1998. The AMS is a state-of-the-art high energy physics experiment designed to search for the existence of anti-matter in the universe. The AMS experiment team is led by Nobel Laureate Samuel C.C. Ting of MIT. JSC is designing, building, and testing the unique structure to carry the AMS experiment on a Shuttle flight in early 1998. Management of the entire payload integration project and technical interface with Professor Ting's experiment team is a JSC responsibility. The Neurolab project is designed to determine the effects of microgravity on human and animal subjects. It will use the unique environment of space flight to study fundamental neurobiological processes.

The Center plans to begin work on the Space Radar Topography Mission. This joint NASA/Department of Defense mission is designed to provide the Department of Defense mapping agencies with topographic information for the majority of the Earth's landmass using radar data.

We intend to negotiate and sign an agreement with IMAX to film the assembly of ISS.

JSC will begin using the new Sonny Carter Training Facility. This training facility houses the Neutral Buoyancy Laboratory (NBL). The NBL, the largest indoor pool in the U.S., is used to familiarize astronauts with the dynamics of body motion through the effect of neutral buoyancy to simulate the weightless environment of space.

ADDITIONAL INFORMATION

You can find more information regarding NASA, JSC, or the topics discussed on the Internet. The following sites are good starting points:

The NASA Homepage at <http://www.nasa.gov>

The JSC Homepage at <http://www.jsc.nasa.gov>

P R I N C I P A L **F** I N A N C I A L **S** T A T E M E N T S

OVERVIEW

The principal financial statements included in this report were prepared pursuant to the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, and Office of Management & Budget (OMB) Bulletin 94-01, "Form and Content of Agency Financial Statements."

The financial statements for FY96 and compared to FY95 consist of the following:

Statement of Financial Position, which shows resources available to pay debts or provide future services and those debts from past operations that will require payments from those resources.

Statement of Operations and Changes in Net Position, which discloses the financing sources and the cost of goods and services consumed in carrying out authorized activities during the year and changes in fund balances by operating and non-operating components.

Statement of Budgetary Resources and Actual Expenses, which classifies the resources available for expenditure and the expenses incurred during the fiscal year by appropriation and program.

These statements include all Center activities and 100 percent of the Center's budget authority. While the statements have been prepared from the books and records of JSC, in accordance with formats prescribed by the OMB, the statements are different from the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

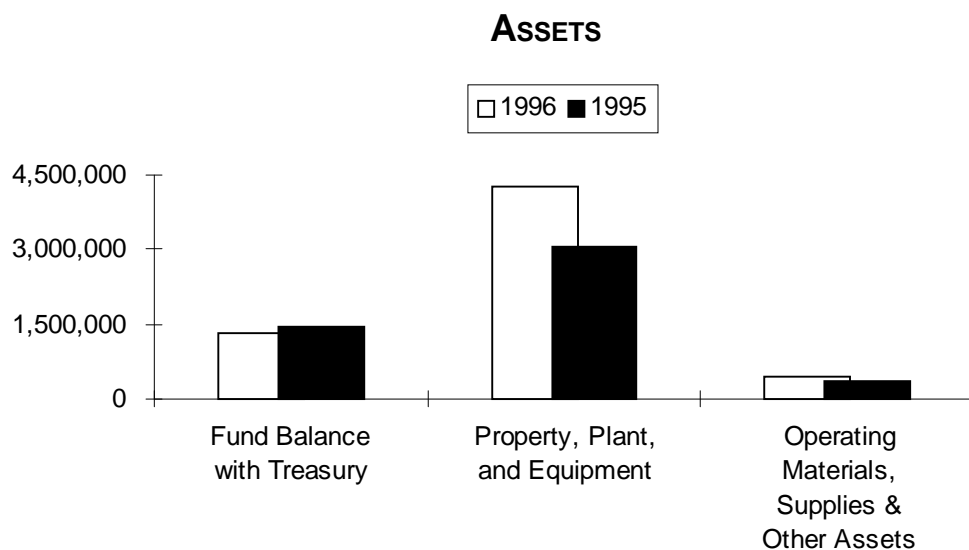
The statements should be read with the realization that they are for a sovereign entity, that liabilities not covered by budgetary resources cannot be liquidated without the enactment of an appropriation, and that payment of all liabilities, other than for contracts, can be abrogated by the sovereign entity.

FINANCIAL HIGHLIGHTS

JSC's net financial position increased in 1996 by \$1.2 billion over 1995. The majority of this increase occurred in the asset Property, Plant, and Equipment (PP&E). The Agency Peculiar Property component of PP&E increased by \$1 billion. This account tracks the value of the 4 Space Shuttles. The increase in Agency Peculiar Property is not an increase for the agency as a whole. It is merely the result of accounting transactions that occur when the Space Shuttles are transferred from KSC to JSC's contractor facility at Downey, California.

This dramatic change in PP&E also dominated changes occurring elsewhere in the statements.

Dollars in Thousands	1996	1995	% Change
Assets	\$ 5,970,264	\$ 4,792,358	24%
Liabilities	712,086	769,817	-7%
Net Position	5,258,178	4,022,541	31%



Lyndon B. Johnson Space Center
Statement of Financial Position
As of September 30
(In Thousands)

	1996	1995 (Restated)
Assets:		
Intragovernmental Assets:		
Fund Balance with U. S. Treasury (Note 2)	\$ 1,317,234	\$ 1,440,459
Accounts Receivable, Net (Note 3)	6,283	6,101
Advances and Prepayments	251	333
Governmental Assets:		
Accounts Receivable, Net (Note 3 and 10)	3,077	4,759
Cash and Other Monetary Assets	93	93
Operating Materials and Supplies (Note 4)	30,540	26,415
Property, Plant and Equipment, Net (Note 5)	4,258,167	3,038,874
Other Assets (Note 6 and 10)	354,619	275,324
Total Assets	<u>\$ 5,970,264</u>	<u>\$ 4,792,358</u>
Liabilities:		
Liabilities Covered by Budgetary Resources:		
Intragovernmental Liabilities:		
Accounts Payable	\$ 10,122	\$ 14,248
Other Liabilities (Note 7 and 10)	84	100
Governmental Liabilities		
Accounts Payable (Note 10)	647,456	706,718
Lease Liabilities (Note 8)	250	333
Other Liabilities (Note 7)	17,049	15,604
Total	<u>674,961</u>	<u>737,003</u>
Liabilities Not Covered by Budgetary Resources:		
Intragovernmental Liabilities:		
Other Liabilities (Note 7)	24	11
Governmental Liabilities:		
Other Liabilities (Note 7)	37,101	32,803
Total	<u>37,125</u>	<u>32,814</u>
Total Liabilities	<u>712,086</u>	<u>769,817</u>
Net Position:		
Balances		
Unexpended Appropriations (Note 10)	652,227	715,075
Invested Capital (Note 10)	4,642,089	3,339,293
Donated Property	987	987
Future Funding Requirements	(37,125)	(32,814)
Total Net Position (Note 9)	<u>5,258,178</u>	<u>4,022,541</u>
Total Liabilities and Net Position	<u>\$ 5,970,264</u>	<u>\$ 4,792,358</u>

The accompanying notes are an integral part of these statements.
These statements are for internal use and have not been audited.

Lyndon B. Johnson Space Center
Statement of Operations and Changes in Net Position
For the Year Ended September 30
(In Thousands)

	1996	1995 (Restated)
Revenues and Financing Sources:		
Appropriated Capital Used	\$ 2,841,152	\$ 3,458,368
Revenues from Sales of Goods and Services		
To the Public	8,063	8,182
Intragovernmental	<u>7,747</u>	<u>7,181</u>
Total Revenues and Financing Sources	<u>2,856,962</u>	<u>3,473,731</u>
Expenses:		
Program or Operating Expenses		
Science Aeronautics and Technology	152,913	62,866
Human Space Flight	2,286,115	2,260,685
Mission Support	360,127	349,101
Research and Development	35,554	598,975
Space Flight Control and Data Communications	1,944	175,117
Construction of Facilities	4,544	7,401
Research and Program Management	<u>(45)</u>	<u>4,223</u>
Total Program or Operating Expenses	2,841,152	3,458,368
Reimbursable Expenses	<u>15,810</u>	<u>15,363</u>
Total Expenses	<u>2,856,962</u>	<u>3,473,731</u>
Excess (Shortage) of Revenues and Financing Sources Over Total Expenses	0	0
Non Operating Changes:		
Unexpended Appropriations (Note 10)	<u>(62,848)</u>	<u>(31,572)</u>
Invested Capital (Note 10)	1,302,796	737,521
Future Funding Requirements	<u>(4,311)</u>	<u>(3,255)</u>
Total Non-Operating Changes	<u>1,235,637</u>	<u>702,694</u>
Excess (Shortage) of Revenues & Financing Sources Over Total Expenses and Non Operating Changes	1,235,637	702,694
Net Position, Beginning Balance	<u>4,022,541</u>	<u>3,319,847</u>
Net Position, Ending Balance	<u>\$ 5,258,178</u>	<u>\$ 4,022,541</u>

The accompanying notes are an integral part of these statements.
These statements are for internal use and have not been audited.

Lyndon B. Johnson Space Center
Statement of Budgetary Resources and Actual Expenses
For The Year Ended September 30, 1996
(In Thousands)

Appropriation and Programs	Budget Data			Actual Expenses
	Resources	Obligations		
		Direct	Reimbursed	
Science Aeronautics and Technology				
Space Science	\$ 5,623	\$ 4,273	\$ 366	\$ 4,861
Life & Microgravity Sciences & Applications	134,359	116,909	141	120,323
Mission to Planet Earth	1,850	119	1,731	165
Aeronautical Research & Technology	601	575	0	590
Space Access and Technology	45,125	41,859	8	34,331
Launch Services	0	0	0	47
Mission Communications Services	37	37	0	37
Academic Programs	2,288	2,009	0	1,052
Operating Account	13	10	0	10
Total	189,896	165,791	2,246	161,416
Human Space Flight				
Space Station	1,874,210	1,874,210		1,863,030
Space Shuttle	1,046,694	979,719	3,951	885,271
Payload & Utilization Operations	94,033	81,160	6,225	80,102
Russian Cooperation	148,726	133,096		135,885
Operating Account	5,317	(14,609)		4,090
Total	3,168,980	3,053,576	10,176	2,968,378
Mission Support				
Safety, Reliability & Quality Assurance	8,782	4,889	426	6,404
Space Communication Services	870	570	300	604
Research & Program Management	355,003	351,590	1,766	354,068
Construction of Facilities	15,538	5,399	99	6,742
Total	380,193	362,448	2,591	367,818
Research and Development	0	0	0	36,964
Space Flight Control and Data Communications	319	319.00	0	8,075
Construction of Facilities	11,753	6,349	0	19,951
Research and Program Management	0	0	0	(45)
Total Resources, Obligations, and Expenses	\$ 3,751,141	\$ 3,588,483	\$ 15,013	\$ 3,562,557
Budget Reconciliation:				
Total Expenses				\$ 3,562,557
Less: Unfunded & Reimbursed Expenses				15,810
Accrued Expenditures, Appropriated, Gross				3,546,747
Less: Funded Changes in Capitalized Assets & Inventory				705,595
Accrued Expenditures, Appropriated, Net				\$ 2,841,152

The accompanying notes are an integral part of these statements.
These statements are for internal use and have not been audited.

**Lyndon B. Johnson Space Center
Notes to the Financial Statements
For the Years Ended September 30, 1996 and 1995**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements were prepared to report the financial position and results of operations of JSC, as required by the Chief Financial Officers Act of 1990. They were prepared from the books and records of JSC in accordance with the form and content for entity financial statements specified by OMB Bulletin 94-01, and JSC's accounting policies which are summarized in this note.

Reporting Entity

JSC is one of nine NASA field centers established to aid NASA in its mission to provide for aeronautical and space activities. JSC's accounting system, called the Interactive Basic Accounting System (IBAS), is a mechanized system that uses the single-source data entry concept to reduce the redundancy of data entry. Multiple transactions are entered into the system simultaneously using transaction codes that instruct the system to post debits and credits to the appropriate general ledger accounts. JSC's systems provide payroll accounting for approximately 3000 employees and process approximately 300,000 non-payroll-related accounting transactions monthly. These transactions update the Financial and Contractual Status (FACS) report and the General Ledger. This data provides the basic information necessary to meet internal and external financial reporting requirements and provides both fund control and accountability.

There are seven basic appropriations that require individual treatment in the JSC system of accounting and control: Science, Aeronautics and Technology (SAT); Human Space Flight (HSF); Mission Support (MS); Space Flight Control and Data Communications (SFCDC); Research and Development (R&D); Research and Program Management (R&PM); and Construction of Facilities (C of F).

- (1) The SAT appropriation for program years 1995 and forward provides funding for research and development activities to:
 - extend our knowledge of the earth, space, and the universe.
 - invest in new aeronautics and advanced space technologies that support the development and application of technologies critical to the economic, science, and technical competitiveness of the United States.
- (2) The HSF appropriation for program years 1995 and forward provides funding for human space flight activities for:
 - ISS
 - Space Shuttle program
 - payload and utilization operations
 - flight support for cooperative programs with Russia

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (3) The MS appropriation for program years 1995 and forward provides funding for:
- civil service workforce
 - space communication services
 - safety and quality assurance activities
 - maintenance activities
- (4) The SF CDC appropriation for program years 1994 and prior provides funding for:
- space flight
 - spacecraft control and communication activities
 - operations, production services, and other activities related to space flight
- (5) The R&D appropriation for program years 1994 and prior provides funding for:
- research and development of the space vehicles
 - space systems
 - other related activities
- (6) The R&PM appropriation for program years 1994 and prior provides funding for necessary salary, travel, and related expenses for the civil servants required to manage and conduct programs.
- (7) The C of F appropriation for program years 1994 and prior provides funding for:
- construction, repair, rehabilitation and modification of facilities
 - minor construction of new facilities
 - additions to existing facilities
 - facility planning and design

In addition to the basic operating programs described above, the JSC financial management program included reimbursable activity of \$16 million during fiscal year 1996. The Reimbursable Program requires special management reports to monitor advance payments from customers maintained on deposit with the U. S. Treasury. There is also a Reimbursable Obligations and Cost Reporting System that enables JSC to track obligations and costs by reimbursable agreement.

Basis of Accounting

Transactions are recorded on an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues and Other Financing Sources

JSC receives the majority of the funding needed to support its programs through appropriations. JSC receives both annual and multiyear appropriations that we use, within statutory limits, for operating and capital expenditures. We obtain additional amounts through reimbursements for services performed for the public and other federal agencies.

Funds With the U.S. Treasury and Cash

JSC does not have disbursing authority and does not maintain cash in commercial bank accounts. The U.S. Treasury processes all cash receipts and disbursements. The funds with the U.S. Treasury include appropriated funds and deposit funds received from the public as advance payments for reimbursable services. Cash balances held outside the U.S. Treasury are not material.

Advances

For the most part, JSC funds its University Contracts and Grants program through the use of a letter of credit system and the automated clearinghouse method of providing advance payments of federal funds to recipient organizations. Recipient organizations provide quarterly financial reporting of cash transactions on Federal Cash Transactions Reports. We maintain detailed accountability records and monitor audits by the Defense Contract Audit Agency and NASA's Office of Inspector General of the grantees.

Accounts Receivable

The largest portion of these receivables is due from other federal agencies and includes research and development of satellites as well as launch services. Non-government customers must provide advance payments that remain on deposit with the U.S. Treasury until JSC performs the services requested.

Operating Materials and Supplies

Operating Materials and Supplies are stated at cost and charged, as used, on a weighted moving average basis. JSC's inventory of operating materials and supplies include the following four types of inventory:

- stores stock - material that is repetitively procured, stored, and issued on the basis of recurring demand
- program stock - material acquired and held for issue to a specific program when required
- standby stock - material held for emergencies
- Government-Owned/Contractor-Held inventories maintained at both contractor and NASA facilities, but under contractor control and accountability and used for programs and projects under contract

Equipment

Equipment with a unit cost of \$5,000 or more and a useful life of 2 years or more, that will not be consumed in an experiment, is capitalized. Equipment with a unit cost of less than \$5,000 or having a useful life of less than 2 years is expensed as current year costs. Capitalized cost includes unit cost, transportation and installation charges, handling costs, and storage costs. NASA does not perform depreciation accounting, although an allowance for the use of NASA facilities and equipment is included in charges to non-government reimbursable customers.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

Contractor-Held Property

Government-Owned/Contractor-Held property includes real property such as land, buildings and structures, inventories, plant equipment, space hardware, and special tooling and special test equipment. Contractors, in accordance with Federal Acquisition Regulations, maintain control and accountability of such property and JSC is precluded from maintaining duplicate records of these assets. Contractors are directed to annually report Plant Equipment costing \$5,000 or more and having a useful life of 2 years, which will not be consumed in an experiment. Reporting is also required for special test equipment, special tooling, designated space hardware and construction in progress. For the most part, these items are considerably in excess of \$5,000. Reporting of all such items is required and their total value is included on the financial statement. Contractors report, as of September 30, on a NASA Form 1018, Report of Government-Owned/Contractor-Held Property. The NASA Form 1018 is certified by the contractor's representative and approved by a government property administrator.

Real Property

Real Property includes land, buildings, and other structures and facilities. It also includes leasehold improvements when the cost of acquiring and improving the asset is \$1,000 or more. Land is valued at acquisition cost which, for the most part, may not reflect actual value. Buildings are valued at cost, including the cost of capital improvements and fixed equipment required for functional use of the facility. JSC real property in the hands of contractors is also reported and combined for reporting purposes with JSC-held real property, based on September 30 contractor reporting on the NASA Form 1018. JSC does not perform depreciation accounting for its facilities, but does include a facilities user charge for non-government reimbursable customers.

Liabilities

Accounts Payable includes amounts recorded for receipt of goods or services furnished to the Agency, based on receiving reports and billings rendered. Additionally NASA recognizes a cost and liability based on constructive delivery when performing contractors earn a portion of the contract price during the accounting period. This information is provided to JSC monthly on NASA Form 533, Contractor Financial Management Report.

Note 2. Fund Balances with Treasury

(Dollars In Thousands)

	Obligated	Unobligated Available	Unobligated Restricted	Fund Balance
Appropriated Funds	\$ 1,157,478	\$ 152,941	\$ 6,751	\$ 1,317,170
Deposit Accounts				60
Suspense/Clearing Accounts				<u>4</u>
Total Fund Balance				<u>\$ 1,317,234</u>

Note 3. Accounts Receivable

(Dollars In Thousands)

	Entity Accounts Receivable	Non-Entity Accounts Receivable	Total Accounts Receivable
Intragovernmental	\$ 6,263	\$ 20	\$ 6,283
Governmental	<u>3,074</u>	<u>3</u>	<u>3,077</u>
	<u>\$ 9,337</u>	<u>\$ 23</u>	<u>\$ 9,360</u>

Note 4. Operating Materials and Supplies, Net

(Dollars In Thousands)

	1996	1995	Valuation Method
Stores Stock	\$ 27,609	\$ 23,692	Weighted Avg
Standby Stock	<u>2,931</u>	<u>2,723</u>	Weighted Avg
Total	<u>\$ 30,540</u>	<u>\$ 26,415</u>	

Other Information

Stores Stock is material being held in inventory by JSC that is repetitively procured, stored, and issued on the basis of recurring demand.

Standby Stock is material held for emergencies whose stock levels are not based on demand criteria. All inventories are recorded at cost and issued on a weighted moving average.

Note 5. Property, Plant and Equipment Net

(Dollars In Thousands)

	1996	1995 (Restated)	Change
Government-Owned/Held:			
Land	\$ 7,686	\$ 7,686	\$ 0
Structures, Facilities & Leasehold Improvements	451,380	434,133	17,247
Equipment	473,441	465,172	8,269
Assets Under Capital Lease	404	404	0
Construction in Progress	61,225	49,826	11,399
	<u>\$ 994,136</u>	<u>\$ 957,221</u>	<u>\$ 36,915</u>
Government-Owned/Contractor Held			
Land	\$ 3,570	\$ 3,570	\$ 0
Structures, Facilities & Leasehold Improvements	58,715	55,242	3,473
Equipment	342,025	316,356	25,669
Special Tooling	117,710	170,351	(52,641)
Special Test Equipment	187,505	218,756	(31,251)
Space Hardware	2,384,524	1,317,378	1,067,146
Construction in Progress	169,982	0	169,982
	<u>\$ 3,264,031</u>	<u>\$ 2,081,653</u>	<u>\$ 1,182,378</u>
Total Property, Plant and Equipment	<u>\$ 4,258,167</u>	<u>\$ 3,038,874</u>	<u>\$ 1,219,293</u>

Note 6. Other Assets

(Dollars In Thousands)

	1996	1995 (Restated)	Change
Contractor-Held Materials	\$ 327,461	\$ 227,048	\$ 100,413
Personal Property Held by the Disposal Officer	27,158	48,276	(21,118)
	<u>\$ 354,619</u>	<u>\$ 275,324</u>	<u>\$ 79,295</u>

Note 7. Other Liabilities

(Dollars In Thousands)

Liabilities Covered by Budgetary Resources:

	Current	Non-Current	Total
Intragovernmental Liabilities:			
* Liability for Deposit and Suspense Funds	\$ 84	\$ 0	\$ 84
Total	<u>\$ 84</u>	<u>\$ 0</u>	<u>\$ 84</u>
Governmental Liabilities:			
* Liability for Deposit and Suspense Funds	\$ 3	\$ 0	\$ 3
Accrued Funded Payroll and Benefits	17,046		17,046
Total	<u>\$ 17,049</u>	<u>\$ 0</u>	<u>\$ 17,049</u>

*Liabilities include cash advances received from other government agencies and public reimbursable customers. Also included are funds on deposit with the U.S. Treasury for employees' savings bonds and state tax withholdings.

Liabilities Not Covered by Budgetary Resources:

	Current	Non-Current	Total
Intragovernmental Liabilities:			
Accounts Payable for Closed Appropriations	<u>\$ 0</u>	<u>\$ 24</u>	<u>\$ 24</u>
Governmental Liabilities:			
Accounts Payable for Closed Appropriations	\$ 0	\$ 9,698	\$ 9,698
Unfunded Annual Leave	27,403	0	27,403
Total	<u>\$ 27,403</u>	<u>\$ 9,698</u>	<u>\$ 37,101</u>

Note 8. Leases

(Dollars In Thousands)

Entity as Lessee:

Capital Leases:

Equipment	\$	404
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	Equipment
Year 1	\$ 101
Year 2	88
Year 3	69
Year 4	17
Year 5	0
Future Lease Payments	275
Less Imputed Interest	25
Total Capital Lease Liability	\$ 250
Funded	\$ 275
Unfunded	0
Total	\$ 275

Entity as Lessor:

Operating Leases:

NASA leases and allows use of its land, facilities, and equipment by the public and other government agencies for a fee.

Future Projected Receipts:

	Land, Facilities & Equipment
Year 1	\$ 2
Year 2	2
Year 3	1
Year 4	0
Year 5	0
Total	\$ 5

Note 9. Net Position

(Dollars In Thousands)

	<u>Appropriated Funds</u>
Unexpended Appropriations:	
Undelivered	\$ 492,535
Unobligated:	
Available	152,941
Unavailable	6,751
Invested Capital	4,642,089
Donated Property	987
Future Funding Requirements	<u>(37,125)</u>
	<u>\$ 5,258,178</u>

Note 10. Restatements Affecting Fiscal Year 1995

Amounts in the FY 1995 balances have been restated to reflect changes in accounting practice, elimination of intra-entity balances between deposit fund and appropriation accounts, and corrections of misclassifications and reporting errors.

	1995 Restated	1995	Change
a. Statement of Financial Position			
Assets:			
Governmental Assets:			
Accounts Receivable, Net	4,759	6,225	(1,466)
Advances and Prepayments	0	3,730	(3,730)
Other Assets	275,324	315,879	(40,555)
Liabilities:			
Liabilities Covered by Budgetary Resources:			
Intragovernmental Liabilities:			
Other Liabilities	100	1,659	(1,559)
Governmental Liabilities			
Accounts Payable	706,718	710,448	(3,730)
Net Position:			
Balances			
Unexpended Appropriations	715,075	714,982	93
Invested Capital	3,339,293	3,379,848	(40,555)
b. Statement of Operations and Changes in Net Position			
Non Operating Changes:			
Unexpended Appropriations	(31,572)	(31,665)	93
Invested Capital	737,521	778,076	(40,555)

Intra-entity balances between deposit funds and appropriation accounts have been eliminated from both Accounts Receivable and Other Liabilities. In past years, JSC reflected transactions with deposit funds only when cash was transferred in order to agree with the treatment in budget and Treasury reports.

Offsetting balances have been eliminated between Advances and Prepayments and Accounts Payable. In past years, JSC did not decrease advances to reflect the level of accrued cost on grants but instead decreased payables and advances when grantees reported disbursements on Federal Cash Transaction Reports.

Other Assets and Invested Capital have been restated to reflect property previously understated in a suspense account and overstated by a disposal officer.

Liabilities and Unexpended Appropriations have been restated to reflect that imprest funds are a classification of cash, rather than a liability.

SUPPLEMENTAL FINANCIAL & MANAGEMENT INFORMATION

Accrued Expenditures

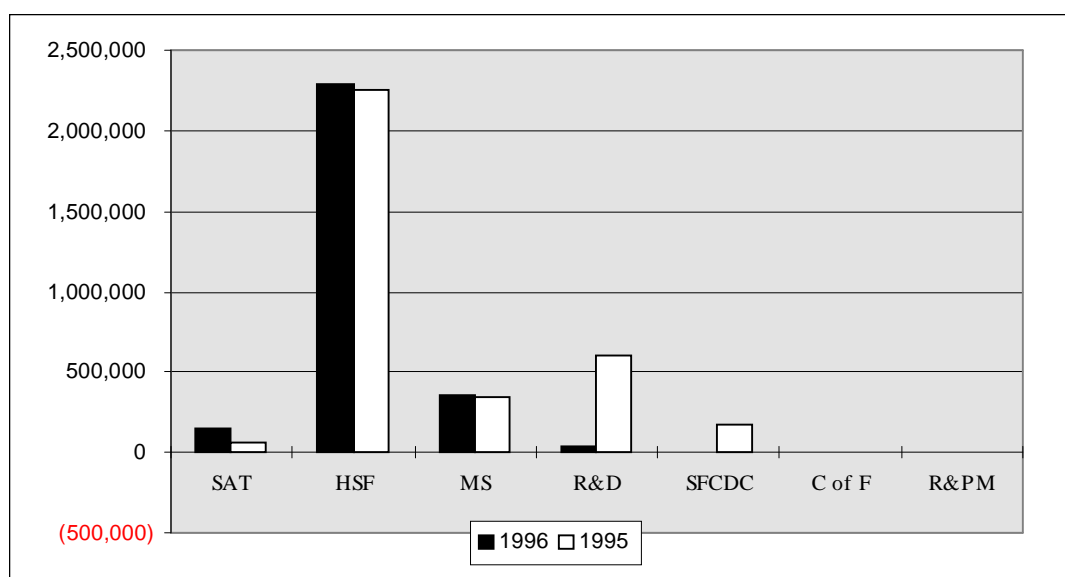
Dollars in Thousands

	1996	1995	% Change
Accrued Expenditures, Appropriated, Gross	\$ 3,546,747	\$ 3,506,503	1%
Less: Funded Changes in			
Capitalized Assets & Inventory	705,595	48,135	1366%
Accrued Expenditures, Appropriated, Net	<u>2,841,152</u>	<u>3,458,368</u>	<u>(18%)</u>

Program Expenses

Dollars in Thousands

	1996	1995	Change
Science Aeronautics and Technology (SAT)	\$ 152,913	\$ 62,866	\$ 90,047
Human Space Flight (HSF)	2,286,115	2,260,685	25,430
Mission Support (MS)	360,127	349,101	11,026
Research and Development (R&D)	35,554	598,975	(563,421)
Space Flight Control and			
Data Communications (SFCDC)	1,944	175,117	(173,173)
Construction of Facilities (C of F)	4,544	7,401	(2,857)
Research and Program Management (R&PM)	(45)	4,223	(4,268)
Total Program Expenses	<u>\$ 2,841,152</u>	<u>\$ 3,458,368</u>	<u>\$ (617,216)</u>



Program Expenses by Appropriation

Dollars in Thousands

Science, Aeronautics, and Technology	1996	1995
Add: Cost of Current Year Operations	\$160,696	\$65,787
Less: Change in Capitalized Expenses		
Fixed Assets in Progress	2,934	564
Contractor-Held Inventories	1,121	(323)
Contractor-Held Facilities in Progress	3,766	2,159
Contractor-Held Special Test Equipment	228	516
Contractor-Held Space Hardware	(5)	0
Contractor-Held Special Tooling	(261)	5
Total	7,783	2,921
Total Science, Aeronautics, and Technology	\$152,913	\$62,866

Human Space Flight	1996	1995
Add: Cost of Current Year Operations	\$2,957,150	\$2,308,674
Less: Change in Capitalized Expenses		
Fixed Assets in Progress	26,520	29,543
Contractor-Held Inventories	91,678	23,945
Contractor-Held Facilities in Progress	133,089	28,850
Contractor-Held Special Test Equipment	29,528	15,699
Contractor-Held Space Hardware	379,810	(51,008)
Contractor-Held Special Tooling	10,410	960
Total	671,035	47,989
Total Human Space Flight	\$2,286,115	\$2,260,685

Program Expenses by Appropriation

Dollars in Thousands

Mission Support	1996	1995
Add: Cost of Current Year Operations	\$364,968	\$351,578
Less: Change in Capitalized Expenses		
Fixed Assets in Progress	3,519	1,243
Contractor-Held Facilities in Progress	1,427	629
Contractor-Held Inventories	(105)	605
Contractor-Held Special Test Equipment	0	0
Contractor-Held Space Hardware	0	0
Contractor-Held Special Tooling	0	0
Total	4,841	2,477
Total Mission Support	\$360,127	\$349,101

Research and Development	1996	1995
Add: Cost of Current Year Operations	\$35,951	\$589,731
Less: Change in Capitalized Expenses		
Fixed Assets in Progress	460	4,154
Contractor-Held Facilities in Progress	0	19
Contractor-Held Inventories	(70)	(13,489)
Contractor-Held Special Test Equipment	7	23
Contractor-Held Space Hardware	0	0
Contractor-Held Special Tooling	0	49
Total	397	(9,244)
Total Research and Development	\$35,554	\$598,975

Program Expenses by Appropriation

Dollars in Thousands

<u>Space Flight Control and Data Communications</u>	<u>1996</u>	<u>1995</u>
Add: Cost of Current Year Operations	\$8,075	\$170,167
Less: Change in Capitalized Expenses		
Fixed Assets in Progress	5,052	6,030
Contractor-Held Facilities in Progress	0	0
Contractor-Held Inventories	1,116	(10,541)
Contractor-Held Special Test Equipment	(37)	(316)
Contractor-Held Space Hardware	0	0
Contractor-Held Special Tooling	0	(123)
Total	<u>6,131</u>	<u>(4,950)</u>
Total Space Flight Control and Data Communications	<u>\$1,944</u>	<u>\$175,117</u>

<u>Construction of Facilities</u>	<u>1996</u>	<u>1995</u>
Add: Cost of Current Year Operations	\$19,951	\$16,322
Less: Change in Capitalized Expenses		
Fixed Assets in Progress	15,407	8,921
Contractor-Held Facilities in Progress	0	0
Contractor-Held Inventories	0	0
Contractor-Held Special Test Equipment	0	0
Contractor-Held Space Hardware	0	0
Contractor-Held Special Tooling	0	0
Total	<u>15,407</u>	<u>8,921</u>
Total Construction of Facilities	<u>\$4,544</u>	<u>\$7,401</u>

<u>Research and Program Management</u>	<u>1996</u>	<u>1995</u>
Add: Cost of Current Year Operations	(\$45)	\$4,243
Less: Change in Capitalized Expenses		
Fixed Assets in Progress	<u>0</u>	<u>20</u>
Total Research & Program Management	<u>(\$45)</u>	<u>\$4,223</u>